



2/23/05

FINAL PASSAGE

SB 171 (Allen)

SB 172 (Allen)

SB 173 (OLSHOVE)

SB 174 (Allen)

SUTA (State Unemployment Tax Act) PACKAGE

Federal law requires that Michigan amend the law governing its unemployment program to prohibit the practice known as "SUTA dumping", which generally refers to the transfer of employees to a different employing company for the primary purpose of obtaining a lower experience rating and thus a lower state unemployment tax rate. In order to avoid the loss of federal administrative funds for the unemployment compensation program, Michigan must comply with the federal requirements by July 1, 2005. Federal administrative funds for the unemployment insurance program are approximately \$79.1 million in 2004-05.

Department of Labor and Economic Growth staff estimate that by prohibiting SUTA dumping, the bills would increase revenue to the Unemployment Compensation Fund between \$62 million and \$95 million annually.

Support: Michigan Chamber of Commerce, National Federation of Independent Business, National Association of Professional Employment Organizations, Michigan Restaurant Association

Support with amendments: Employers' Unemployment Compensation Council, Michigan Manufacturers Association, DLEG, Michigan Retailers Association.

SB 171 would prohibit a person from transferring all or part of a trade or business solely or primarily for the purpose of reducing the contribution rate or reimbursement payments in lieu of contributions required under the Act (i.e., "SUTA dumping").

- **SCHAUER 1 (1 amend) was defeated [RC 12: 16 yes, 21 no (gop)]. This would have strengthened the bill, meaning that more companies which cheat on their SUTA taxes could be caught.**
- **SB 171 passed [RC 13: 37 yes, 0 no].**

SB 172 would allow any money collected under SB 171 to be deposited into the Unemployment Compensation Fund.

- BASHAM 1 (3 amends) was ruled “not germane” [RC 14: 15 yes, 22 no (gop)]. This would have increased maximum weekly unemployment benefits (when the state’s unemployment rate exceeds 5%) by \$30.
- PRUSI 2 (3 amends) was withdrawn.
- JACOBS 3 (3 amends) was withdrawn.
- SB 172 passed [RC 15: 36 yes, 1 no].

SB 173 would define a “transfer of business” as the transfer of any assets by an employer to a company that the employer does not already have substantially common ownership, management or control of the acquired business. When a transfer of business occurs the commission assigns the transferring employers unemployment insurance experience account, or a portion of it, to the newly acquired business effective the day of transfer. The portion of experience rating that would be transferred would be determined according to current methods.

- SB 173 passed [RC 16: 37 yes, 0 no].

SB 174 would change the definition of “employer” to include any individual, legal entity or employing unit that becomes a transferee of business assets by any means otherwise than in the ordinary course of trade from an employer, if there is substantially common ownership, management or control of the transferor and transferee at the time of transfer.

- SB 174 passed [RC 17: 37 yes, 0 no].

SB 194 (Garcia)

SB 194 would change the annual commemoration date for the United States Coast Guard from August 14 to August 4. The bill would ensure that the appropriate date was used annually to commemorate the U.S. Coast Guard and its members.

- SB 194 passed [RC 18: 37 yes, 0 no].

RESOLUTIONS

SCR 7 (SWITALSKI)

John T. Bowman memorial resolution

- SCR 7 was adopted [no RC].